GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA

UNSTARRED QUESTION NO:2342
ANSWERED ON:03.12.2007
TERMINAL MARKETS
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Will the Minister of AGRICULTURE be pleased to state:

(a) whether there is any proposal to establish modern markets in several States of the country to increase the export of fresh fruits, vegetables and flowers;

(b) if so, the details thereof;

(c) the names of the States where these markets are proposed to be established alongwith quantum of export likely to be increased as a result thereof; and

(d) the amount likely to be spent on the said project?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE (SHRI KANTI LAL BHURIA)

(a): Government of India has launched a Scheme for setting up of Terminal Market Complexes under National Horticulture Mission which would establish forward linkages through wholesalers, distribution centres, retail cash and carry stores, processing units and exporters. This will, besides helping in developing better market linkages for the farmers, increasing farm income and bringing efficiency in the supply chain, indirectly help in increasing the export of fresh fruits, vegetables and flowers.

(b): The detailed Guidelines of the Scheme are given in the Annexure.

(c): The State Governments of Andhra Pradesh, Bihar, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan and Union Territory of Chandigarh have identified land at suitable locations for setting up of terminal markets. The State Governments of Bihar, Madhya Pradesh, Punjab and Union Territory of Chandigarh have issued notices inviting Expression of Interest from the entrepreneurs. The modern infrastructure facilities for grading, storage and cold storage, as envisaged in the terminal market projects, would help in boosting the prospects of export of fruits, vegetables and flowers from the country but no quantification of expected increase in exports has been done under the Scheme.

(d): The amount likely to be spent on the project would be known only on finalization of bids on case to case basis.

Annexure

Operational Guidelines for Setting up of Terminal Market Complex under National Horticulture Mission

1. Background

The National Horticulture Mission was launched during 2005-06 for the holistic development of horticulture by adopting an integrated approach duly ensuring backward and forward linkages including marketing. In view of the immense thrust being given to the development of horticulture and other allied sectors, production of related commodities is likely to see a quantum jump in the near future. The high levels of production can be sustained only if there is adequate infrastructure for post harvest management and marketing. The NHM provides for setting up of different types of markets viz. Wholesale Markets, Rural Markets and Apni Mandis /Direct Markets. The present marketing system is characterized by a long, fragmented supply chain and high wastages. The system is also deficient in providing a fair share of consumer price to the producer and in ensuring high quality and hygiene of the produce. This calls for an alternative marketing structure that provides multiple choices to farmers for sale of produce alongwith a comprehensive solution to meet key needs of the stakeholders. With this in view, the Terminal Markets (TM) have been conceptualized and introduced as a new item under the NHM, which will be implemented in a Public Private Partnership (PPP) mode.

2. Objectives

The main objectives of setting up Terminal Markets Complex (TMC) are:

i) To link the farmers to the markets by shortening the supply chain of perishables and enhance their efficiency and thus increase farmers income,
ii) Provide professionally managed competitive alternative marketing structures that provide multiple choices to farmers for sale of

their agricultural produce,
iii) To drive reforms in the agricultural marketing sector resulting in accelerated development of marketing and post harvest infrastructure including cool chain infrastructure in the country through private sector investment.
iv) To bring transparency in the market transactions and price fixation for agricultural produce and through provision of backward linkages to enable the farmers to realise higher price and thus higher income to the farmers.

3. Salient Features

(i) The TMC will be set up in those Sates that undertake reforms in their laws dealing with agricultural marketing to provide direct marketing and permit the setting up of markets in private and cooperative sectors.

(ii) The TMC would operate on a Hub-and-Spoke Format wherein the Terminal Market (the hub) would be linked to a number of Collection Centres (CC) (the spokes).

(iii) The spokes would be conveniently located at key production centres to allow easy farmer access and the catchment area of each spoke would be based on meeting the convenient needs of farmers, operational efficiency and effective capital utilisation of the investment.

(iv) TMC would establish backward linkages with farmers through the collection centres and forward linkages through wholesalers, distribution centres, retail cash and carry stores, processing units and exporters.

(v) Collection Centres in the villages would integrate producers and retailers, processing units and exporters into the market system.

(vi) An electronic auction system would be established to ensure transparency in price fixation and competition.

(vii) The Scheme will attract and facilitate private sector investment in the agribusiness sector, by assisting the key stakeholders − entrepreneurs, producers, processing industry and exporters.

(viii) Producers, farmers and their associations and other market functionaries from any part of the country may use the infrastructure and facilities of the TMC directly or through the collection centres.

(ix) TMC would provide one-stop solution in terms of providing logistics support including transport services and cool chain facility.

4. Eligibility

TM project would be built, owned and operated by the selected Private Enterprise (PE) through Competitive Bidding process. PE includes individuals, Group of Farmers/Growers/Consumers, Partnership/ Proprietary firms, Companies, Marketing Boards, Corporations, Co-operatives, Producer Organisations and Self Help Groups. The PE could also be a consortium of entrepreneurs from, inter-alia, agri-business, cold chain, logistics, warehousing, agri-infrastructure and related background.

5. Commodities

The commodities to be marketed by the TMC will include all perishables, inter-alia, fruits, vegetables, flowers, aromatics, herbs, meat, poultry etc. Non-perishables can also be handled in the TMC. However, the proportion of Non-Perishables shall not exceed 15% of the total through put of the market. Similarly, the proportion of non horticultural products within the perishable commodities shall not exceed 15% of the total through put of the market.

6. Location

The State Government will approve the number and indicative location of the TMCs based on the demand, economic viability, commercial considerations etc.

7. Roles and Responsibilities of the Stakeholders

The stakeholders involved are the Private Enterprise, State Government / State Horticulture Mission (SHM) and National Horticulture Mission (NHM). The State Government can participate in the equity of the project either in the form of direct investment or by offering the assets in the form of existing market / area (land) etc. However, the combined total equity of the State Government and NHM can not exceed 49% of the project equity. The details of the roles and responsibilities are given in Appendix − I.

8. Selection of Private Enterprise

PE will be selected through competitive bidding process. The PE, based on their business plan, may seek the assistance in the form of equity to the maximum extent of 49% of the project equity and the enterprise requiring the least quantum of equity participation will be selected for implementing the project.

9. State level Coordination

The State Government would play a pro-active role and designate an officer at the level of Secretary to the State Government as Nodal Officer who will be the single contact point for the PE and other coordination work. The State Level Executive Committee of the State Horticulture Mission will coordinate all aspects relating to the TMC project. The Nodal Officer will also be nominated as a member of the SLEC for this purpose.

The functions of the Nodal Officer are given in Appendix- II.

10. Procedure for approval of TMC project:-

(i) The SHM shall appoint a reputed Financial Institution (FI) having project and financial appraisal capacity for each terminal market for assisting the Nodal Officer in the bidding process, evaluation, short-listing of the Private Enterprise, entering into agreements.

(ii) The SHM will select FI for each terminal market by adopting a suitable procedure or from the panel of agencies approved by the Department of Agriculture & Cooperation. The cost of engaging FI for the complete project will be borne from the Mission Management funds cost of the SHM.

(iii) SHM will select the PE for each terminal market based on competitive bidding, following two-bid system. Initially, the interested PE will be technically short-listed based on their suitability as per the approved criteria. The financial proposals will be taken thereafter from the technically qualified enterprises.

(iv) The Nodal Officer shall prescribe the scope of the project/throughput volumes/ broad infrastructure to be created which will become part of the Request for Qualification (RFQ)/ Request for Proposals (RFP). In any case the PE is expected to provide minimum infrastructure facilities at the TMC/CC.

(v) The PE shall have freedom to formulate the business plan and submit it along with the bid in response to the RFP. The business plan should meet the requirements prescribed for executing the project as given in the scope of the project for the prescribed throughput volumes for each TMC.

(vi) The PE shall have freedom to compete for more than one TMC. However, the financial capability requirement will have to be in commensurate with the number of TMC they propose to implement. If the PE is bidding for more than one TMC, then they must give the order of priority which the PE would like to retain, if selected for more than one project. The allocation of the TMC will be based on the financial capability and the order of priority indicated by the PE.

(vii) The business plan/Detailed Project Report (DPR) submitted by the PE in response to the `RFP` shall be apprised by the FI both from technical and commercial angle.

(viii) Based on the techno-economic evaluation of the PE responded to the RFP, the SHM will recommend the PE and the percentage/quantum of equity to be contributed from the Horticulture Mission funds. This recommendation along with detailed comparative statement of the bids received from the PE in response to the RFP, will be forwarded to Agricultural Marketing Adviser, Ministry of Agriculture after due approval of SLEC.

(ix) The Executive Committee (EC) of the NHM will take a decision on the recommendations of the SHM and finalise the private participation and quantum of equity participation for each market.

(x) The SLEC shall be the final authority for adjudicating the matters of technical qualification.

(xi) The EC of NHM will be the final authority on selection of the Private Enterprise or on the quantum of equity participation.

11. Procedure for operationalising TMC

i) The Nodal Officer shall enter into an agreement called `Operation Management Development Agreement (OMDA)` with the selected Private Enterprise. The OMDA would specify the concessions to be provided by State (Concession Agreement), roles and responsibility, etc. of various players, etc.
ii) The Nodal Officer shall facilitate the clearances required for entering into OMDA with PE.
iii) The State Horticulture Mission may encourage the involvement of agri-clinics and agri- business centres under each collection centre that can play an important role in establishing the backward linkages and organizing the farmers.
iv) The PE shall take adequate precaution for segregating the facilities for handling perishable commodities and the meat in the TMC.
v) The SHM/State Government may provide land required for the TMC on lease/ commercial rates/nominal rent as may be decided by the State so as to attract good PE for their TMC project. The State may also consider converting an existing market/APMC into a Terminal Market. In such case, the value of assets of the existing market can be evaluated and provided as an incentive or towards the equity participation in the project. If the State decides to participate in the equity either in the form of land or transfer equity as valuated, the Private Enterprise may bid for the balance amount of equity, the total of which shall not exceed 49%.
vi) An Independent Consultant (IC) will be appointed to each TM for monitoring the implementation of the TM. Selection and functioning of IC is detailed in DOMA. IC shall submit progress reports from time to time to the Nodal Officer. The Nodal Officer shall monitor the progress of implementation of the project through IC.
vii) There will be a nominee of the State Government in the Governing Body/Board of the PE implementing the terminal market project.
viii) The State Government shall ensure the involvement of the local Panchayati Raj Institutions in establishing the backward linkages to the collection centres.

12. Service Charges

The PE has full freedom to fix the service charges based on commercial and viability considerations. The service levels as prescribed in the OMDA agreement will have to be met by the PE.

13. Disinvestment of Government Equity

Disinvestment of Government equity will be done at an appropriate time at market/ fair value as per the procedure prescribed by the Executive Committee of NHM.

14. Monitoring & Progress Reporting

The SHM will monitor the successful implementation of the Terminal Market Projects through the Nodal Officer. The Nodal Officer will take the help of PMA of each terminal market for this purpose. The State Horticulture Mission will submit monthly reports on the progress of implementation of TMs to the Mission Director, National Horticulture Mission through the Joint Secretary (Agricultural Marketing) in the Ministry. They will also furnish a monthly progress report through web enabled progress monitoring system of NHM (www.nhm.nic.in).

15. General Awareness and Training Programme/Project Development Facility General Awareness, publicity and training of various stakeholders shall be taken up through Ch. Charan Singh National Institute of Agriculture Marketing, Jaipur and other National and State level Institutions or empanelled professional institutions. The Project Development may also be taken up through above arrangement.

Appendix − I

ROLE AND RESPONSIBILITIES OF THE CONCERNED AGENCIES

For the successful operation of the Terminal Market Complex Projects, the role and responsibility of the concerned agencies in implementation and operation of the project is envisaged to be as follows:

i) Role of the Private Enterprise

The Private Enterprise would have the following rights and obligations:

a. The enterprise would have to mandatorily provide the infrastructure facilities and services to be prescribed at the TM as well as CC complex in the `Hub-and −Spoke` Format;
b. The Terminal Market (the hub) would be linked to a number of Collection Centres (the spokes). The Collection Centres would be located at key production centres to establish backward linkage with growers and to allow easy access to farmers for the marketing of their produce;
c. The enterprise would have the option to provide additional facilities to render complimentary services such as input supply, processing, agro machinery and equipments, durables etc.;
d. The enterprise would have the option to deal in non perishable commodities not exceeding the prescribed limits, at the terminal market complex in order to attain volumes and economic viability of the project;
e. The Private Enterprise would have the freedom to buy the commodities from the farmer directly or through the TM/ CC;
f. The enterprise would facilitate the farmers in making direct supply to processing units, retail chain and exports, at their choice;
g. The enterprise would provide advisory services to farmers on inputs, prices, quality, multi-model transport and exports;
h. Farmers would be free to sell their produce either through the CC/ TM or the TM directly or to any other marketing channel not related with the project;
i. The enterprise would promote Farmers` Associations and progressively involve them in the operation and management of the CCs;
j. The enterprise would be responsible for the acquisition of land for setting up of the TM and the CCs and obtain necessary licenses, clearances and approvals for the establishment and operation of the market;
k. Investment from the Private Enterprise in the complex must be at least 51 percent of the project equity;
l. The enterprise would be free to collect user charges (determined by commercial considerations) from market participants and producers, for the infrastructure and services provided by it.

ii) Role of the State Government

The State Government would play a pro-active role and designate, an officer of the rank of Secretary to the Government as Nodal Officer to function under an SLEC of the SHM for the purpose of terminal market complexes. The responsibility of the Committee would include

a. Approval of the number and location of the terminal market complexes;
b. Approval of the bidding process and implementation modalities of the project;
c. Technical Financial appraisal of the detailed business plan of the complex;
d. Regulatory Clearances, issue of licenses and granting of permission for facilitating establishment and operation of market complexes and the collection centres;
e. Identification of land and when necessary provision of Government land for TM and CC;
f. Convergence with other development programmes for infrastructure support to TM/CC such as road connectivity, power and water supply;
g. May participate in the equity of the project either through direct funding, land/ infrastructure support and/ or transfer of existing market assets.
h. Selection of the Private Enterprise through an open, transparent competitive bidding process, and entering into Operation, Management, Development Agreement with the successful PE.
i. Ensure the involvement of Panchayati Raj Institutions in establishing backward linkages to the Collection Centres.
j. Encourage the involvement of agri-clinics and agri-business centres under each collection centre that can play an important role in establishing the backward linkages and organizing the farmers.
k. The Project will be awarded to the bidder with the request for least equity participation.

l. Make recommendations to Central Government for the release of equity and for its disinvestment.
m. Set up institutional mechanism for resolution of disputes, if any, arising out of the implementation of the terminal market complex.

(iii) Role of the Central Government (Department of Agriculture & Cooperation, Ministry of Agriculture)

The Central Government will support the project through participation in its equity capital. The terms for participation would be as follows:

a. Central Government would provide equity assistance upto 49% of project equity, returnable at market/fair value to be decided at appropriate time.
b. Central/ State Government participating in equity capital will retain option to allocate on redemption, its equity in favour of farmers organizations feeding business to the market complex.
c. In the eventuality of farmers organizations not coming forward, the promoter of the enterprise will be given the option to buy back the Government equity capital at market/fair value to be fixed, at appropriate time.
d. Assist the State governments in fixation of throughput per day and yearly handling capacity of the terminal market complex for the detailed project reports (DPR).

Appendix-II

RIGHTS AND OBLIGATIONS OF NODAL OFFICER

Rights

1. Detail the rules of operation of the Terminal Market Complex
2. Progress report on the development of the Terminal Market Complex
3. Levying liquidated damages on the PE equivalent on delay in commencement of construction of such Mandatory Capital Project.
4. Levying liquidated damages on PE for the completion of any Mandatory Capital Project
5. Progress and achievement of ISO within the defined time frame
6. Collection of percentage of Revenue in the event of default of PE in achieving Objective Service Quality as per the Master Plan

Obligations

1. Approve the Master Plan
2. Assistance in obtainment of Clearances for the PE
3. Assistance in obtainment of land by the PE
4. Provide regulatory facilitation for purposes of co-ordination between the aggrieved party and the concerned regulatory agency.